

## **FISCAL NOTE**

### **HB 2034 - SB 2133**

April 11, 2005

**SUMMARY OF BILL:** Prohibits any drug manufacturers from contracting to sell prescription drugs in Tennessee at a higher price than the seller offers for the drug in any other country. A violation of this act is considered an unfair and deceptive trade practice pursuant to the Tennessee Consumer Protection Act.

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Expenditures – Exceeds \$7,000,000/State Health Plans  
Exceeds \$6,700,000/TennCare Program**

**Decrease Local Govt. Expenditures – Exceeds \$1,000,000/Health Plans**

**Other Fiscal Impact – Decrease Federal Expenditures – Exceeds \$13,300,000**

**Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation would have a significant decrease on the amount of health insurance premiums which could exceed \$1,000,000.**

#### **Assumptions:**

- Creates another ground upon which the Division of Consumer Affairs would receive and investigate consumer complaints, as well as initiate enforcement actions. Such is estimated to be not significant.
- Violations pursuant to the Tennessee Consumer Protection Act would be a Class B misdemeanor and would be not significant.
- For each 4% reduction in drug costs, there would be a decrease in health insurance cost (benefit payments) and subsequently premiums by about 1%. The state pays approximately \$717 million for state employ participation in health insurance and Basic Education Program which would result in a 1% decrease or \$7 million in expenditures.
- The TennCare program spent approximately \$2 billion dollars in prescription drugs. A 1% decrease in expenditures would result in \$6.7 million in state funds and \$13.3 million in federal funds.
- The local government insurance plans that are not part of the state plan could decrease expenditures exceeding \$1,000,000.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director